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SUBJECT: CIVAIR NEGOTIATIONS

1. IN WEDNESDAY MEETING TWO DELS AGREED PROCEDURE FOR DEALING WITH FORMAL AGREEMENT IN CONTEXT SIDE AGREEMENT. TWO DELS WOULD EXAMINE PROVISIONS ON SPECIFIC SUBJECTS IN SIDE AGREEMENT AND SIMULTANEOUSLY DRAFT CONSEQUENTIAL CHANGES IN FORMAL AGREEMENT RELATING TO SUBJECT UNDER DISCUSSION.

2. ITAL DEL THEN PRESENTED PROPOSAL FOR SEPARATE COMBINATION AND ALL CARGO ROUTES IN SIDE AGREEMENT (TABLED THURSDAY AS ITALIAN DOC 1). US ROUTE FOR COMBINATION SERVICES IDENTIAL WITH THAT PROPOSED IN JANUARY 1970 TALKS. US ALL-CARGO ROUTE READ "FROM BOSTON, NEW YORK AND CHICAGO VIA IRELAND AND UK TO MILAN AND/OR ROME." ITALIAN COMBINATION ROUTE SAME AS IN JANUARY TALKS EXCEPT THAT GERMANY WAS ADDED AS ALTERNATIVE INTERMEDIATE TO PORTUGAL. ITALY ALL-CARGO ROUTE READ "FROM ROME AND MILAN VIA UK, CANADA AND SPAIN TO (1) NEW YORK, (2) BOSTON AND/OR NEW YORK AND (3) CHICAGO.

3. THURSDAY TWO MEETINGS DEVOTED TO DISCUSSION ITALIAN DOC 1. USDEL DELIVERED STRONG STATEMENT OBJECTING TO CONCEPT OF SPLITTING ALL-CARGO AND COMBINATION SERVICES. STATED INCLUSION BOTH SERVICES INHERENT IN ALL U.S.

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AGREEMENTS. WAS BASIC ELEMENT OF U.S. POLICY AND HAD BEEN CONFIRMED IN ITALY-U.S. ARBITRATION. EMPHASIZED THAT U.S. WOULD NEVER MAKE PERMANENT ARRANGEMENT SEPARATING THESE TWO SERVICES. AMONG POINTS MADE BY ITALIANS IN ENSUING LONG DEBATE WAS COMMENT THAT ONE REASON ITALY HAD TO KEEP ALL-CARGO ROUTES SEPARATE WAS POTENTIAL VALUE OF ALL-CARGO SERVICES ON U.S. ROUTE BEYOND ROME. ITALDEL SAID SUCH OPERATIONS WOULD UPSET BALANCE OF AGREEMENT. USDEL RESPONDED THAT ALL-CARGO POTENTIAL BEYOND ROME WAS MINIMAL.

4. IN EFFORT TO SMOKE OUT ITALIAN POSITION ON ALL-CARGO USDEL POSED TWO HYPOTHETICAL QUESTIONS (A) COULD ITALDEL ACCEPT CONCEPT OF SINGLE ROUTE DESCRIPTION FOR BOTH ALL-CARGO AND COMBINATION SERVICES IF ALL-CARGO SERVICES WERE NOT OPERATED BEYOND ROME AND (B) COULD ITALDEL ACCEPT SINGLE ROUTE DESCRIPTION IF ITALY WERE CONCEDED ALL-CARGO SERVICES BEYOND U.S. IF AND WHEN U.S. OPERATED SUCH SERVICES BEYOND ROME. AFTER SOME DISCUSSION ITALDEL SAID HYPOTHETICAL ANSWER TO FIRST QUESTION WAS YES AND ANSWER TO SECOND WAS THAT NEEDED MORE STUDY.

5. IN SUBSEQUENT DISCUSSION WITH U.S. INDUSTRY THERE WAS GENERAL SUPPORT FOR AGREEING TO LIMITING U.S. ALL-CARGO SERVICES FROM GOING BEYOND ROME IF THIS RESOLVES QUESTION OF SEPARATE ALL-CARGO DEAL. USDEL REQUESTS AUTHORITY MAKE THIS CONCESSION. (NOTE: THERE STILL REMAINS CAPACITY PROBLEM ON ALL-CARGO SERVICE AT LEAST FOR INTERIM PERIOD.)

6. WITH RESPECT TO ITALIAN PROPOSAL FOR COMBINATION SERVICES USDEL EXPRESSED GREAT DISSAPPOINTMENT. SAID THAT ITALIAN OFFER APPEARED TAKE U.S. BACK TO 1967. EMPHASIZED THAT ONLY REASON FOR SPECIFYING POINTS IN SIDE AGREEMENT WAS TO GET AROUND MULTIPLE DESIGNATION PROBLEM. ASIDE FROM ALL-CARGO QUESTION SIX POINTS OF ORIGIN IN U.S. SIMPLY DID NOT MEET U.S. REQUIREMENTS. ALSO NOTED THAT ITALY ROUTES WENT BEYOND PREVIOUS PROPOSALS. USDEL ARGUED THAT SINCE EARNINGS IMBALANCE WAS LESS IN 1969 THAN IN 1967 RESPECTIVE CONCESSIONS HAD TO BE ADJUSTED ACCORDINGLY. PROMISED TO TABLE U.S. ROUTE PROPOSAL FRIDAY.

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6. USDEL INTENDS MAKE ROUTE PROPOSAL TODAY WHICH INCREASES U.S. POINTS OF ORIGIN TO INCLUDE ALL POINTS PROPOSED BY DOT IN EAST COAST-EUROPE CASE AND WILL ADD CAMBODIA AND MALAYSIA AS BEYOND. ITALIAN ROUTES WILL ALSO BE ADJUSTED. THIS IS TACTICAL MANEUVER DESIGNED TO GIVE NEGOTIATING ROOM IN EFFORT ACHIEVE ALL CERTIFICATED POINTS.
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